STANLIB Income Fund

Fund information update at 31 January 2020

STANLIB

What is the fund’s objective?

This fund’s primary objective is to achieve a reasonable level of current income and stability for capital invested.

What does the fund invest in?

The fund invests in fixed income instruments such as cash, bonds, preference shares, debenture stock, debenture bonds and other money market instruments.

What possible risks are associated with this fund?

Risks include interest-rate fluctuations, economic risk, inflation, general market conditions, and the risk of rates moving in a direction contrary to what was expected.

Risk rating				
Conservative	Moderately conservative	Moderate	Moderately aggressive	Aggressive

What is the suggested investment period for this fund?

Minimum period					
1 Month	6 Months	**1 Year**	3 Years	5 Years	7 Years

Who should consider investing in this fund?

This is a low-risk fund that suits investors who require a regular quarterly income and who aim to generate returns above those achieved by money market funds.

Income

Distribution Net income is calculated and accrued daily and is declared and distributed quarterly.

Declaration 31 March, 30 June, 30 September, 31 December

General fund information

Manager(s)	Victor Mphaphuli and Sylvester Kobo	
Size (NAV)	R 46.52 billion	
Classification	South African - Interest Bearing - Short Term	
Benchmark	STeFI Composite Index	
Regulation 28	Does not apply	
	Class R	**Class B7**
Launch	04 May 1987	01 October 2010
ISIN number	ZAE000020079	ZAE000150702
JSE code	GDBI	STIB7
Minimum investment requirements -		
Lump sum	R 5,000	R 5,000
Monthly	R 500	R 500

What are the costs to invest in this fund?

Maximum charges including VAT

	Class R	Class B7
Initial fee (manager)	0.000%	0.000%
Initial fee (adviser)	0.690%	0.690%
Annual fee (manager)	0.863%	1.150%
Annual fee (adviser)	0.000%	0.288%
Performance fee	N/A	N/A

Annual fee (manager) – this is a service charge (% based) applicable to each class of a fund, that is levied on the value of your portfolio and includes the **Annual fee (adviser)** fee (where applicable). Annual fees are calculated and accrued daily and recovered monthly from the income awaiting distribution in the fund.

Cost ratios (annual) including VAT as at 31 December 2019

	Class R	Class B7
Based on period from:	01/01/2017	01/01/2017
Total Expense	0.86%	1.14%
Transaction Costs	0.00%	0.00%
Total Investment Charge	0.86%	1.14%
1 Year Total Expense	0.86%	1.15%

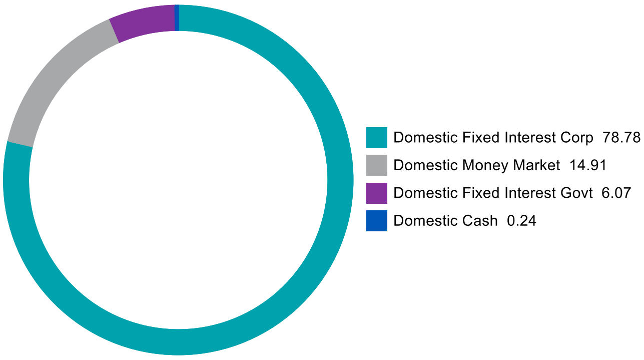
Total Expense (TER): This ratio shows the charges, levies and fees relating to the management of the portfolio and is expressed as a percentage of the average net asset value of the portfolio, calculated over the period shown and annualised to the most recently completed quarter. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER should not be regarded as an indication of future TERs.

Transaction Costs (TC): This ratio shows the percentage of the value of the fund incurred as costs relating to the buying and selling of the fund's underlying assets. TC are a necessary cost in administering the fund and impacts fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, investment decisions of the investment manager and the TER.

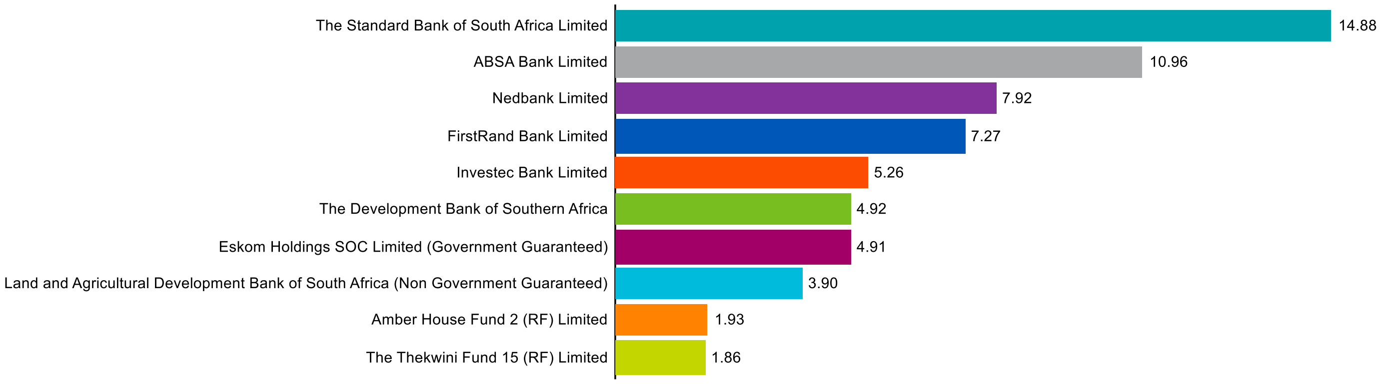
Total Investment Charges (TIC): This ratio is simply the sum of the TER and TC, showing the percentage of the value of the fund incurred as costs relating to the investment of the fund. It should be noted that performance figures account for all costs included in the TIC ratio, so you should not deduct the TIC from performance figures, the performance is already net of the TIC.

Holdings

Asset allocation (%)



Fixed Interest Top 10 Issuer exposure (%)



Performance and Income

Class R Launch: 04 May 1987

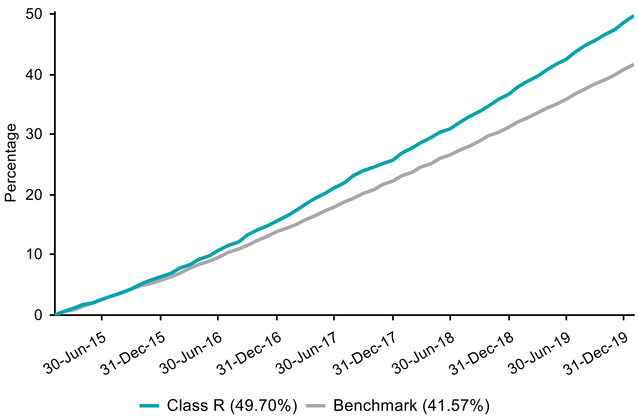
Class B7 Launch: 01 October 2010

Benchmark: STeFI Composite Index

Returns (%)	1yr	3yrs	5yrs	7yrs	10yrs
Class R					
Class	8.63	8.70	8.40	7.62	7.79
Benchmark	7.27	7.34	7.20	6.74	7.07
Class B7					
Class	8.33	8.40	8.10	7.32	

Returns (%) shown are cumulative for all periods shorter than or equal to 1 year and annualised for all periods greater than 1 year.

Cumulative performance (%) over 5 Years



Statistics (%)	1yr	3yrs	5yrs	7yrs	10yrs
Class R					
Positive Months	12	36	60	83	119
Max Gain	8.63	28.45	49.70	67.18	111.67
Max Drawdown	-	-	-	-1.06	-1.06
Highest	8.92	9.63	9.63	9.63	10.69
Lowest	8.44	7.97	5.26	4.85	4.85
Class B7					
Highest	8.61	9.32	9.32	9.32	
Lowest	8.13	7.67	4.97	4.56	

Highest – this reflects the highest 12 month return during the period.
Lowest - this reflects the lowest 12 month return during the period.

Amount declared (cents per unit)

	Class R	Class B7
29 March 2019	2.76	2.66
28 June 2019	2.70	2.58
30 September 2019	2.66	2.57
31 December 2019	2.48	2.39
In last 12 months	10.60	10.20
In 2019	10.60	10.20

STANLIB Income Fund

Quarterly update at 31 December 2019

STANLIB

Who are the investment managers?

STANLIB Asset Management (Pty) Ltd, FSP 719, an authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act 2002, manage the investments of the fund.

Victor Mphaphuli

BCom (Hons)(Economics), GEDP

Co-head of Fixed Interest

Victor is a key member of STANLIB's multi-award-winning Fixed Interest team, one of the largest in South Africa. Victor is one of the top fixed income fund managers in the country and has won ABSIP Awards for fund management as well as Raging Bull Awards. He initially joined the team as a bond dealer and later assumed added responsibility for portfolio management. He was promoted to head of Bond and Income Funds in 2008, assuming full responsibility for the daily management of these funds. In 2016 Victor was promoted to co-head of Fixed Interest which he jointly manages with Henk Viljoen. Victor began his financial services career as a trainee foreign currency dealer with Standard Bank's treasury division in 1996. After gaining experience as a bond market dealer with Nedbank Investment Bank, he joined STANLIB's forerunner Liberty Asset Management in 2001.

Sylvester Kobo

BSc (Hons)(Pure Mathematics)

Portfolio manager

Sylvester joined STANLIB in 2013 as a Money Market dealer and a trainee portfolio manager. He then moved to the bond team, assuming a role of portfolio manager and trader. Sylvester started his career in 2009 at ABSA Capital as a credit quantitative analyst focusing on pricing and management of risk on all derivatives. In 2012 he assumed the lead role for credit in the Absa/Barclays Africa Integration roll-out of the sales and trading programme to 11 Barclays Africa countries. Sylvester's BSc from Wits University includes majors in pure maths and economics. He then went on to get his honours degree in pure mathematics in 2009 from the same university.

Fund review

The fund continued to attract inflows during the fourth quarter and still deliver good performance in line with the risk profile. The total return for the year was 9.6%, comfortably outperforming the benchmark by 2.3%. The fund's modified duration was largely unchanged in the final quarter of 2019, mostly sitting at 0.4 years, while the credit quality and liquidity of the portfolio continue to improve, given where we are in the credit cycle. The fund's size increased by R1.6 billion during the quarter to end the year at R46.2 billion.

Market overview

The last quarter of 2019 started on a weakening trend for local bonds and the rand on the back of a worsening fiscal outlook. The minister of finance tabled the Medium-Term Budget Policy Statement in October which showed a deteriorating debt trajectory, far worse than market and rating agency expectations. The debt-to-GDP figures were revised higher. They are now expected to go above 70% in the next four years and deteriorate further to over 80% if no consolidating measures are announced. This is expected to lift government's borrowing requirement by over R120 billion in the next four years, which led to a jump in bond yields to reflect an increased downgrade risk premium. Rating agency Moody's (and later S&P) reacted to the Budget statement by downgrading the South African rating outlook from stable to negative, but Moody's remained the only agency to still have the country on investment grade. As a result, the 10-year government bond yield weakened by about 40 basis points to 9.25%, while the five-year CDS spread jumped by 30 points to 193 basis points to reflect downgrade risks. The yield curve also steepened, reflecting the market's expectations of issuance in the long end being ramped up, with the spread between the 30-year bond (R2048) and the 10-year bond (R2030) increasing by over 30 basis points in the quarter to an all-time high of 110 basis points.

Adding to the market's woes in the quarter was the Q3 local GDP contraction which reflected the challenging environment for both the private and public sectors. The return of recurrent power cuts by Eskom continues to weigh on sentiment and risks tipping the economy back into a technical recession when the fourth quarter GDP figures are announced. This backdrop will continue to pose risks for government revenues, and unless we see a concrete and credible plan to cut expenditure and lift revenue immediately in the upcoming Budget in February, we expect Moody's to cut the country's rating to sub-investment grade.

On the positive front, receding trade tensions between China and US spurred a recovery in risk assets towards the end of the year. The rand rallied from a low of R15.20/$ in the quarter to close the year at R14/$. Local inflation continued to surprise to the downside, with the last figure printing at a nine-year low of 3.6% due to subdued economic activity. Even though both headline and core inflation are below the midpoint of the SARB's target range, the bank opted to keep rates on hold during the quarter, citing fiscal risks and potential volatility. The market still expects at least one more interest rate cut from SARB, given the dire state of the economy and supportive inflation environment. This, together with low supply during the holiday period, resulted in bonds rallying into year end. The 2026 maturity bond (R186) ended the year at 8.25%, while the R2030 closed the year at 9.02%. As a result, the total return for bonds in 2019 was an impressive 10.32%.

Looking ahead

The upcoming Budget statement in February is key for SA as the market and rating agencies will be watching it with keen interest to see if credible measures will be announced to improve the debt and fiscal trajectory. Rating agency announcements will follow the Budget, and there is a risk SA will be downgraded to sub-investment grade, leading to a sell-off in yields as a result of outflows. Inflation is expected to remain subdued in 2020 in a world where global central banks are still expected to err on the side of further accommodation.

The commentary gives the views of the portfolio manager at the time of writing. Any forecasts or commentary included in this document are not guaranteed to occur.

Change in allocation of the fund over the quarter

Asset type	Q4 2019	Q3 2019	Change
Domestic Cash	0.23	0.12	0.10
Domestic Fixed Interest Corp	77.37	72.74	4.62
Domestic Fixed Interest Govt	7.37	9.95	-2.57
Domestic Money Market	15.03	17.19	-2.15

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
R	Retail	138.36	16,723,567,157.27	23,138,783,417.19
B7	Retail	138.27	9,048,983,374.38	12,512,349,265.05

All data as at 31 December 2019.

Units – amount of participatory interests (units) in issue in relevant class.

STANLIB Income Fund

Important information update at 31 January 2020

Disclosures

Collective Investment Schemes in Securities (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to future performance. CIS are traded at ruling prices and can engage in borrowing and scrip lending.

The STANLIB Income Fund is a portfolio of the STANLIB Collective Investment Scheme (the Scheme).

The manager of the Scheme is STANLIB Collective Investments (RF) (Pty) Limited (the Manager). The Manager is authorised in terms of the Collective Investment Schemes Control Act, No. 45 of 2002 (CISCA) to administer Collective Investment Schemes (CIS) in Securities. Liberty is a full member of the Association for Savings and Investments of South Africa (ASISA). The Manager is a member of the Liberty Group of Companies. The manager has a right to close a portfolio to new investors in order to manage the portfolio more efficiently in accordance with its mandate. The Manager does not provide any guarantee either with respect to the capital or the return of a CIS portfolio. A schedule of fees and charges and maximum commissions is available on request from the Manager.

The trustee of the Scheme is Standard Chartered Bank.

The investments of this portfolio are managed, on behalf of the Manager, by STANLIB Asset Management (Pty) Ltd, an authorised financial services provider (FSP), FSP No. 719, under the Financial Advisory and Intermediary Services Act (FAIS), Act No. 37 of 2002.

Prices are calculated and published on each working day, these prices are available on the Manager’s website (www.stanlib.com) and in South African printed news media. This portfolio is valued at 15h00. Forward pricing is used. Investments and repurchases will receive the price of the same day if received prior to 15h00.

This is a portfolio that derives its income primarily from interest-bearing instruments. The yield (if shown) is a current effective yield calculated daily.

All performance returns and ranking figures quoted are shown in ZAR and are based on data sourced from Morningstar or Statpro and are as at 31 January 2020.

Annualised return figures are the compound annualised growth rate (CAGR) calculated from the cumulative return for the period being measured. These annualised returns provide an indication of the annual return achieved over the period had an investment been held for the entire period. Actual annual figures are available on request from the Manager.

Portfolio performance figures are calculated for the relevant class of the portfolio, for a lump sum investment, on a NAV-NAV basis, with income reinvested on the ex-dividend date. Individual investor performance may differ due to initial fees, actual investment date, date of reinvestment of income and dividend withholding tax. Portfolio performance accounts for all costs that contribute to the calculation of the cost ratios quoted, all returns quoted are after these costs have been accounted for.

Statistics - Positive Months: the number of individual 1 month periods during the specified time period where the return was not negative; Max Gain: the maximum gain in a trough-to-peak incline before a new trough is attained, quoted as the percentage between the trough and the peak. It is an indicator of upside risk over a specified time period (quoted for all periods of 1 year or longer); Max Drawdown: the maximum loss in a peak-to-trough decline before a new peak is attained, quoted as the percentage between the peak and the trough. It is an indicator of downside risk over a specified time period (quoted for periods of 1 year or longer, where no value is shown no loss was experienced); Highest and Lowest: the highest and the lowest 1 year return (%) that occurred during the specified time period (quoted for all relevant classes launched 1 year or more prior to current month end date).

Additional information about this product including, but not limited to, brochures, application forms and annual or quarterly reports, can be obtained free of charge, from the Manager and from the Manager’s website (www.stanlib.com).

Contact details

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